



SOUTH JERSEY BUSINESS SURVEY

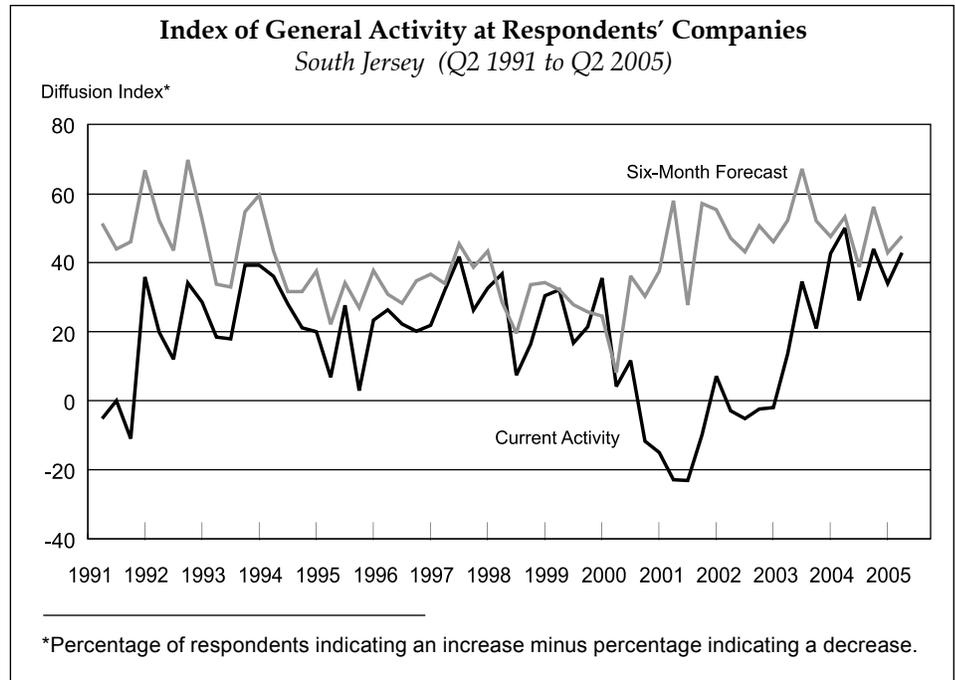
Second Quarter 2005

Firms in the South Jersey region reported continued growth in business during the second quarter. The surveyed firms noted growth in both overall activity and sales. In addition, more than one-third of the businesses indicated increases in employment and a rise in the average workweek during the quarter. Firms continued to report higher costs of doing business, and more firms reported an increase in the prices of their own goods this quarter than last quarter. The outlook for business conditions over the next six months remains favorable and was slightly more optimistic than in the first quarter.

Current Indicators Show Improvement

The survey's broadest measure of performance, the index of general activity at individual companies, increased from 33.9 in the first quarter to 42.9 in the second quarter. The index has been positive for nine consecutive quarters (see Chart). Nearly 55 percent of respondents reported higher levels of activity in the second quarter; 12 percent reported lower levels of activity. The survey's indicator for sales increased notably, up 19 points. Fifty-seven percent of the surveyed firms reported higher sales for the quarter, and 41 percent reported increases in customer traffic or inquiries.

Firms perceived that the economies of the region, state, and nation improved in the second quarter. The general



activity index for the nation (reflecting firms' assessment of the level of business activity nationally) increased from 14.3 to 19. The regional indicator rose from 23.2 to 28.6, and the state indicator rose from 12.5 to 26.2.

There was an improvement in responses regarding employment growth this quarter. The percentage of firms reporting higher employment increased from 25 percent in the first quarter to 36 percent in the second quarter. The current employment index increased markedly, from 8.9 to 33. Firms also reported an increase in average hours worked in the second quarter:

the average workweek index increased from 10.7 to 26.2.

Higher Costs and Prices Reported

About 41 percent of the surveyed South Jersey businesses reported higher prices for raw materials in the second quarter, but this was slightly lower than the 46 percent that reported higher raw material prices in the first quarter. The prices paid index for these materials decreased three points but remains at a relatively high reading. Although 60 percent of the firms reported no change in the prices of their own products during the second quarter,

the percentage reporting increases (31 percent) was higher than in the first quarter (21 percent). The current prices received index increased 19 points to its highest reading in four quarters.

Firms' expectations for price increases over the next six months remain elevated. Forty-five percent of firms expect a rise in raw material prices over the next six months; 26 percent expect increases in the prices of their own products.

Expectations Remain Optimistic

South Jersey firms remain generally optimistic in their outlook for future business conditions. The expectations indicators for the region, state, and national economies increased from the

first quarter. Likewise, the company general activity index increased from 42.9 to 47.6 (see Chart). Sixty-two percent of the firms expect growth in business activity over the next six months, compared to 50 percent in the first quarter. The future sales index was unchanged at a high reading of 50, with nearly 60 percent of the firms expecting higher sales over the next six months, compared with 55 percent last month.

Employment forecasts also remained optimistic, although the future employment diffusion index fell one point. Nearly 36 percent of firms expect increases in employment over the next six months; only 5 percent expect declines. Firms, on balance, expect the

average workweek to increase: the future workweek index increased 14 points to its highest reading in seven quarters.

Summary

According to this quarter's survey, economic growth in the region continued in the second quarter. The survey's indicators for general business activity, sales, and employment suggest a slightly faster pace of growth than in the first quarter. The survey's future indicators, reflecting respondents' outlook for the rest of this year, suggest the region's economy will continue to expand during that period.

South Jersey Business Survey (Second Quarter 2005)

	Compared With 3 Months Ago				6 Months from Now			
	Lower	Same	Higher	Diffusion Index	Lower	Same	Higher	Diffusion Index
1. What is your assessment of the level of general business activity?								
1.1 in the nation?	16.7	45.2	35.7	19.0	14.3	38.1	38.1	23.8
1.2 in the state?	14.3	45.2	40.5	26.2	14.3	33.3	47.6	33.3
1.3 in the region?	16.7	38.1	45.2	28.6	16.7	28.6	50.0	33.3
1.4 at your company?	11.9	33.3	54.8	42.9	14.3	19.0	61.9	47.6
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (Manufacturers report shipments)	19.0	21.4	57.1	38.1	9.5	16.7	59.5	50.0
2.2 Inventories of the products you sell	14.3	35.7	21.4	7.1	7.1	38.1	19.0	11.9
2.3 Customer traffic or inquiries	14.3	42.9	40.5	26.2	9.5	33.3	45.2	35.7
2.4 Number of employees	2.4	59.5	35.7	33.3	4.8	47.6	35.7	31.0
2.5 Weekly hours	7.1	54.8	33.3	26.2	2.4	42.9	38.1	35.7
2.6 Prices actually received	7.1	59.5	31.0	23.8	2.4	54.8	26.2	23.8
2.7 Prices paid for raw materials (other than labor or energy)	2.4	26.2	40.5	38.1	0.0	19.0	45.2	45.2
2.8 Cost of Labor								
2.8.1 Wages	0.0	50.0	45.2	45.2	0.0	35.7	50.0	50.0
2.8.2 Benefits	0.0	42.9	47.6	47.6	0.0	28.6	54.8	54.8
2.9 Spending for:								
2.9.1 Acquisition of new space	0.0	59.5	21.4	21.4	0.0	59.5	14.3	14.3
2.9.2 Renovation of existing space	2.4	61.9	14.3	11.9	2.4	50.0	19.0	16.7
2.9.3 Equipment	2.4	64.3	23.8	21.4	2.4	47.6	33.3	31.0

1. The *South Jersey Business Survey* is conducted each quarter and is based on responses from members of the Chamber of Commerce of Southern New Jersey.
2. Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. Items may not add to 100 percent because of omission by respondents.